

SPECIAL NOTICE LETTER
URGENT LEGAL MATTER
PROMPT REPLY NECESSARY
CERTIFIED MAIL: RETURN RECEIPT REQUESTED

C T Corporation System
Registered Agent for International Paper Company
800 S. Gay Street
Suite 2021
Knoxville, TN 37929-9710

Re: Special Notice - Remedial Investigation and Feasibility Study
Draft Administrative Order on Consent
San Jacinto River Waste Pits, Harris County, TX
SSID No. 06ZQ, EPA ID No. TXN000606611

Dear Sir/Madam:

The purpose of this letter is to notify International Paper Company (IPC), an active New York corporation headquartered in Memphis, Tennessee, of its potential liability, as defined by Section 107(a) of the Comprehensive Environmental Response, Compensation, and Liability Act (CERCLA), 42 U.S.C. § 9607(a), at the San Jacinto River Waste Pits Site (Site). This letter also requests IPC reimburse the U.S. Environmental Protection Agency (EPA) for responding to releases, or threats of releases, at the Site. Total costs incurred by EPA as of May 31, 2009, are \$378,863.61.

Based on available information, the U.S. Environmental Protection Agency (EPA) has determined that IPC, as the current corporate successor of Champion Papers Inc. (CPI), may be liable for CPI's previous actions as an arranger, as defined by 42 U.S.C. § 9607(a)(3), for the cleanup of the Site and for costs incurred by EPA in responding to contamination at the Site.

SITE BACKGROUND

The Site is located east of the City of Houston in Harris County in the State of Texas in the area where the Interstate Highway 10 Bridge (I-10) crosses over the San Jacinto River (see Enclosure 2). The Site's two separate land areas are located in an unincorporated area known as Channelview. The portion of the San Jacinto River that is located within the Site's boundaries is situated between two unincorporated areas known as Channelview and as Highlands. The Site itself has no specific street address.

The Site's land area is comprised of two separate tracts of land. Soil samples taken from the first tract have confirmed the presence certain hazardous materials, including dioxin. Information available to EPA indicates that soil at the second tract contains the same hazardous materials, including dioxin. The Site also includes river sediment in an area of the San Jacinto River that is suspected to be contaminated with certain hazardous materials, including dioxin, that might have migrated from the Site's two tracts. The EPA has evidence that indicates dioxin had been transported to the Site in waste paper mill sludge that had been released onto the Site's two tracts during the 1960's.

Both tracts are on the west side of the San Jacinto River. One tract (Tract 1) is on the north side of I-10. Virgil C. McGinnes Trustee, is the current owner of record for Tract 1 (see Enclosure 3). Tract 1 is an abandoned 20-acre tract of land that is adjacent to the west shore of the San Jacinto River and the north side of I-10. Three exposed abandoned waste disposal pits are located on Tract 1. The three abandoned waste pits cover an area that approximates 3.5 acres of Tract 1. Part of Tract 1, including the abandoned disposal pit area, is now below the adjacent San Jacinto River's water surface. The Site's second tract (Tract 2) is an 18.7-acre tract of land that is on the south side of I-10 and is between the San Jacinto River and the Old River. A concealed abandoned waste pit covers an area that approximates five or more acres of Tract 2. Tract 2 is now comprised of a 15.85-acre parcel and a 2.854-acre parcel. Musgrove Towing Service, Inc. is the current owner of record for the 15.85-acre parcel (see Enclosure 3). New Lost River, LLC. is the current owner of record for the 2.854-acre parcel (see Enclosure 3).

Samples collected in the disposal pits located north of I-10 and river sediments up and down river from these pits have dioxin concentrations as high as 70,000 parts per trillion. Sediments contaminated with high levels of dioxin have been found in the San Jacinto River for a distance of at least one-half mile downstream from the disposal pits.

On September 19, 2007 (72 FR 53509) the Site was proposed for listing on the National Priorities List (NPL). On March 19, 2008 (73 FR 14179) the final listing of the Site onto the NPL occurred.

EXPLANATION OF POTENTIAL LIABILITY

The EPA has spent, or is considering spending, public funds to investigate and control releases of hazardous substances or potential releases of hazardous substances at the Site. Under CERCLA, specifically sections 106(a) and 107(a) of CERCLA, 42 U.S.C. § 9606(a) and § 9607(a), Potentially Responsible Parties (PRPs) may be required to perform cleanup actions to protect the public health, welfare, or the environment. PRPs may also be responsible for costs incurred by EPA in cleaning up the Site. PRPs include current and former owners and operators of the Site, as well as persons who arranged for disposal or treatment of hazardous substances at the Site. Based upon the following information, EPA believes IPC may be a PRP for this Site:

1. The EPA believes that IPC is the current active corporate successor of Champion Papers Inc. (CPI); and

2. The EPA believes that CPI contributed to the hazardous waste contamination at the Site, as a person, who by contract, arranged for disposal of hazardous substances owned by such person to the Site. Evidence of CPI's arranging for disposal of hazardous substances to the Site is reflected in paper mill waste disposal contracts between McGinnes Industrial Maintenance Corporation (MIMC) and CPI. These contracts document that, for a period of time during late 1965, MIMC transported waste paper mill sludge to the Site from the paper mill located at 901 North Shaver Street, Pasadena, TX 77506. These contracts also document that CPI operated the paper mill during late 1965.

SPECIAL NOTICE AND NEGOTIATION

The EPA has determined that a Remedial Investigation and Feasibility Study (RI/FS) must now be performed at the Site. The EPA has determined that the use of special notice procedures set forth in Section 122(e) of CERCLA, 42 U.S.C. § 9622(e), may facilitate a settlement between IPC and EPA to perform the RI/FS. Accordingly, EPA offers IPC this opportunity to enter into RI/FS negotiations because EPA believes that IPC may be responsible for the cleanup of the Site under the Superfund Law. A Special Notice (see Enclosure 1), which explains that responsibility more clearly, is enclosed. This Special Notice also explains the purpose of the Draft Administrative Order on Consent for an RI/FS (see Enclosure 1, Exhibit 3).

PRP RESPONSE AND EPA CONTACT PERSON

Please call EPA Site Attorney, Ms. Barbara Nann at 214.665.2157 within 15 days of the receipt of this correspondence and let her know whether IPC will negotiate. IPC should also be prepared to discuss with Ms. Nann whether IPC will attend a meeting which will be scheduled in the near future at EPA Region 6 offices in Dallas, Texas.

Please note that the enclosed Special Notice requires IPC to reply in writing with a good-faith offer within 60 days of IPC's receipt of this letter. The Special Notice explains what EPA means by a good-faith offer. I urge IPC to read the enclosed Special Notice carefully. If IPC has any questions please call Ms. Nann.

Thank you in advance for IPC's cooperation.

Sincerely yours,

Samuel Coleman, P.E.
Director
Superfund Division

Enclosures (3)

cc: Mr. Elton Parker, Esq., Senior Council for Environmental Health and Safety,
International Paper Company

Mr. Marshall Cedilote, Program PASI Manager, Remediation Division
Texas Commission on Environmental Quality (without enclosures)

Mr. Mark Vickery, Executive Director
Texas Commission on Environmental Quality (without enclosures)

Mr. Stephen R. Spencer, Ph.D., Regional Environmental Officer
U.S. Department of the Interior (without enclosures)

Mr. Craig Gigglesman, Environmental Contaminates
U.S. Fish and Wildlife Service (without enclosures)

Mr. Richard Seiler, Natural Resource Trustee Program
Texas Commission on Environmental Quality (without enclosures)

Mr. David Parmer, Coastal Resources
Texas General Land Office (without enclosures)

Mr. Don Pitts, Trustee Program
Texas Parks and Wildlife Department (without enclosures)

Mr. Barry Forsythe
U.S. Fish and Wildlife Service (without enclosures)

Mr. Kent Becher
U.S. Geological Survey (without enclosures)

Ms. Jessica White, Regional Resource Coordinator
National Oceanic and Atmospheric Administration (without enclosures)

ENCLOSURE 1

SPECIAL NOTICE FOR

REMEDIAL INVESTIGATION AND FEASIBILITY STUDY

SAN JACINTO RIVER WASTE PITS SUPERFUND SITE

HARRIS COUNTY, TEXAS

This Special Notice is from the U.S. Environmental Protection Agency (EPA) to International Paper Company (IPC), an active New York corporation headquartered in Memphis, Tennessee. This notice does four things:

1. First, this Special Notice tells IPC that it may be responsible for the cleanup of hazardous substances at the San Jacinto River Waste Pits Site (Site). This Notice is issued under the Comprehensive Environmental Response, Compensation, and Liability Act (CERCLA). CERCLA is also known as Superfund.
2. Second, this Special Notice tells IPC that EPA will use special notice procedures when it works with IPC. This means that, as part of these procedures, EPA will not take some types of actions at the Site for 60 days from the day IPC gets this Notice.
3. Third, this Special Notice asks IPC to send EPA a good-faith offer within 60 days from the day IPC receives this Notice.
4. Fourth, this Special Notice points out that it might help IPC and EPA if IPC consults with other persons who may be responsible for the cleanup. A list of persons who EPA believes may be responsible is enclosed (List of Potentially Responsible Parties Issued Notice) (Exhibit 1) to this Notice for a Remedial Investigation and Feasibility Study (Refer to Section III [Negotiation Period] and VI [PRP Organization] of this Special Notice).

These four things are explained in more detail in the following sections marked with Roman numerals I through VI.

I. NOTICE THAT IPC MAY BE LIABLE

CERCLA says that four types of persons are liable for cleaning up (or paying EPA to clean up) hazardous substances that have been released. The four types of liable persons are:

1. Persons who now own the place where the hazardous substances were released (owner);

2. Persons who once owned or operated the place where the hazardous substances were released during the time when the hazardous substances were disposed (operator);
3. Persons who arranged for disposal or treatment of hazardous substances at the place where the hazardous substances were released (commonly referred to as "generators"); or
4. Persons who selected the place where the hazardous substances were released as a disposal site and transported the hazardous substances to that place (transporter).

The EPA's term for these persons is Potentially Responsible Parties (PRPs). IPC may want to read the section of the CERCLA law which tells which persons are liable for the cost of cleaning up hazardous substances. CERCLA can be found in Title 42 of the United States Code in Sections 9601 through 9675. The part of CERCLA which tells about these responsible parties can be found at Section 9607. Definitions of terms used in CERCLA can be found in Section 9601. Section 9607 is sometimes called Section 107-- the section number which it has in the act of Congress.

As the result of previous corporate mergers, EPA believes that IPC is now the current corporate successor of Champion Papers Inc. (CPI) (see Exhibit 2). The EPA also has information that shows CPI contributed to the hazardous waste contamination at the Site, as a person, who by contract, arranged for disposal of hazardous substances owned by such person to the Site. Evidence of CPI's arranging for disposal of hazardous substances to the Site is documented in paper mill waste disposal contracts between McGinnes Industrial Maintenance Corporation (MIMC) and CPI (see Exhibit 2). Evidence of CPI's hazardous substances being transported from its Pasadena paper mill and released onto the Site is documented in a Texas State Department of Health report (see Exhibit 2). These documents identify that for a period of time during 1965:

- A. CPI entered into an agreement for MIMC to transport waste paper mill sludge to the Site, and
- B. MIMC transported waste paper mill sludge to the Site, and
- C. The waste paper mill sludge that MIMC transported to the Site had been generated at a paper mill that was owned and operated by CPI, and
- D. The paper mill that CPI owned and operated was located at 901 North Shaver Street, Pasadena, Texas 77506.
- E. For an approximate one year period that began during June 1965, barges were used to transport waste paper mill sludge from ponds at the CPI facility to an area adjacent to the San Jacinto River (near Hwy 73 also known as I-10), i.e., the Site.

At the Site the waste paper mill sludge was unloaded from barges into ponds that have been formed by levees. This work was done by Ollie Peterson Construction Company with the MIMC taking over and beginning operation during September 1965.

Because CPI arranged for the disposal of hazardous wastes at the Site, and because IPC is now CPI's current corporate successor from previous mergers, IPC may be required to conduct a Remedial Investigation and Feasibility Study (RI/FS) in accordance with CERCLA and to furnish all necessary personnel, materials, and services necessary for, and incidental to, performance of the RI/FS.

The EPA invites IPC to take stock of the evidence and to enter into negotiations toward a settlement which may be in IPC's best interests. Settling with EPA may protect IPC from other responsible parties who may sue IPC to recover costs they might incur in cleaning up the Site. Also, if IPC chooses not to settle with EPA and if IPC is found to be a responsible party, the EPA may take civil administrative action against IPC.

II. REQUEST FOR PAYMENT OF RESPONSE AND OVERSIGHT COSTS

The EPA plans to take several RI/FS actions at the Site under the Superfund program. IPC is responsible for reimbursing the Federal government for the response and oversight costs associated with these activities. These activities include, among others, performance of searches for PRPs, performance of Site inspections, preparation of the Draft Administrative Order on Consent, the Draft RI/FS Statement of Work, and oversight activities.

III. DEMAND FOR REIMBURSEMENT OF COSTS

In accordance with Section 104 of CERCLA, 42 U.S.C. § 9604, EPA has already taken certain response actions and incurred certain costs in response to conditions at the Site. IPC is responsible for reimbursing the Federal government for the response costs associated with these actions. These actions include, among others, preparation of the Hazard Ranking System package, performance of searches for PRPs, performance of Site inspections, and preparation of the Draft Administrative Order on Consent and the Draft RI/FS Statement of Work. The total of the EPA's response costs through May 31, 2009, for the Site is \$378,863.61 (see Exhibit 5).

We hereby demand that IPC pay \$378,863.61. The EPA's demand for payment is made under Title 42 of the United States Code at Subsection 9607(a). EPA also anticipates expending additional funds for response activities, which may include a remedial action or oversight of a remedial action. Whether EPA funds the response action or simply incurs costs by overseeing the parties conducting the response activities, IPC is potentially liable for the expenditures plus interest.

IV. ADMINISTRATIVE RECORD

Pursuant to CERCLA Section 113(k), 42 U.S.C. § 9613(k), EPA must establish an

Administrative Record that contains documents that form the basis of EPA's decision on the selection of a response action for a site. The administrative record files, which contain the documents related to the actions conducted at this Site are available to the public for review. A copy of the Administrative Record file can be found at the EPA Region 6 offices in Dallas, Texas, or at the site information repository that was set up at the following location:

Pasadena Public Library
1201 Jeff Ginn Memorial Drive
Pasadena, TX 77506
(713) 477-0276

IPC may wish to review the Administrative Record to assist in responding to this letter, however, IPC's review should not delay its response beyond the 60-day period provided by CERCLA.

V. NEGOTIATION PERIOD

Under CERCLA, EPA may use special notice procedures when EPA believes these procedures will help EPA reach an agreement with PRPs. The special notice procedures are described in Title 42 of the United States Code at Subsection 9622(e). The powers given to the President by CERCLA Subsection 9622(e) have been delegated to EPA. Subsection 9622(e) is sometimes called Subsection 122(e) -- the section number which it has in the act of Congress.

The EPA has decided that special notice procedures may help EPA and PRPs reach a settlement for this Site. As part of the special notice procedures, EPA will not take some types of actions at the Site for 60 days from the day IPC gets this Notice. During these 60 days, the EPA invites IPC to settle some of EPA's claims. The EPA will extend this 60-day time for 30 more days if EPA gets a good-faith offer from IPC in 60 days from the day that IPC receives this Notice. The things which IPC must include in a good-faith offer are described in Section IV (Good-Faith Offer) of this Notice.

If IPC and EPA reach settlement within the 90-day negotiation period (it is a 90-day period because it includes the first 60-day period plus the 30-day period which EPA may add if IPC submits a good-faith offer), the settlement will be written as an EPA Administrative Order on Consent (AOC) for an RI/FS. The AOC would be issued by the EPA Region 6 Superfund Division Director.

To help negotiations get started, I have enclosed a Draft AOC (see Exhibit 3), written specifically for the Site. The Draft AOC includes a Draft RI/FS Statement of Work (Draft RI/FS SOW) (see Exhibit 4) which describes the work that needs to be done. The work includes the performance of an RI/FS to investigate the nature and extent of contamination at

the Site and to develop and evaluate potential remedial alternatives in accordance with the Superfund Law and the EPA's guidance.

VI. GOOD-FAITH OFFER

The enclosed Draft AOC and the enclosed Draft RI/FS SOW should help IPC make a good-faith offer to do the RI/FS for the Site.

In order for IPC's offer to be a good-faith offer, it must be in writing and it must include these things:

1. An unconditional statement that IPC is willing to do or pay for the RI/FS. IPC's statement must be in keeping with EPA's Draft AOC and Draft RI/FS SOW. IPC's statement must be a good basis for more negotiations.
2. Proof that IPC (or the party that IPC hires to do the work) has the technical skills to do the RI/FS. If IPC hires another party, please tell EPA who, or tell EPA how, IPC will pick that party.
3. A written statement that IPC is willing to pay EPA for oversight response costs at the Site and to be paid by EPA in overseeing the conduct of the RI/FS. (EPA is not seeking reimbursement of past costs in the Draft AOC but instead seeks oversight costs. EPA reserves the right to seek reimbursement of past costs in a future action.)
4. Proof that IPC can pay for the RI/FS (an audited annual report may suffice).
5. A statement that IPC is willing to begin work on the RI/FS in keeping with the schedule set in the Draft AOC and the Draft RI/FS SOW.
6. A general work plan which describes how and when IPC will do the major parts of the RI/FS described in the Draft AOC and Draft RI/FS SOW.
7. The name, address, and telephone number of the party or steering committee representative who will represent IPC and any other PRPs in negotiations, if IPC will use a representative.

If EPA decides that a good-faith offer has not been submitted within 60 days from the day IPC gets this letter, EPA may end the negotiation period and begin response or enforcement actions.

VII. WHERE TO SEND IPC'S GOOD-FAITH OFFER AND WHO TO CALL AT EPA

Please call the EPA Site Attorney, Ms. Barbara Nann, at 214-665-2157 within 15 days of receipt of this correspondence to discuss making a good-faith offer. Please let Ms. Nann know

whether IPC will be a part of negotiations about the RI/FS for the Site. Please send IPC's good-faith offer to Ms. Nann at the address listed below. As stated above, IPC has 60 days from its receipt of this Notice to send EPA a written good-faith offer. IPC may respond alone or through a steering committee.

VIII. PRP ORGANIZATION

If EPA does the RI/FS (or any other action for the Site), IPC and other PRPs may be liable for EPA's costs plus interest. It could help speed up negotiations if IPC and other PRPs meet and form a steering committee. A list of other PRPs issued special notice is enclosed. The steering committee should represent all of the PRPs. If IPC cannot form a steering committee, it would be helpful if each PRP selects one person to serve as its own representative. IPC's good-faith offer may be made by IPC alone or through a steering committee. If EPA does not receive a good-faith offer from IPC or from a steering committee within 60 days from IPC's receipt of this Notice, EPA will assume that IPC does not wish to negotiate. The EPA may then take response or enforcement actions as explained above in Section I (Notice That IPC May Be Liable) of this notice.

IX. PRP RESPONSE

IPC should send its response to this notice to:

Ms. Barbara Nann, Attorney
U.S. Environmental Protection Agency, Region 6
Office of Regional Counsel
Superfund Branch (6RC-S)
1445 Ross Avenue
Dallas, Texas 75202-2733
Phone #: (214) 665.2157
FAX #: (214) 665.2182
E-mail: nann.barbara@epa.gov

The discussions of fact or law in this Notice are meant to help IPC understand CERCLA and EPA's actions at the Site. The discussions of fact and law are not EPA's final positions on any matters discussed in this Notice. If IPC has any legal questions about this Notice or the Draft AOC, please contact Ms. Nann.

If IPC has any technical questions concerning the Draft RI/FS SOW please contact the EPA Remedial Project Manager, Mr. Stephen Tzhone.

Mr. Stephen Tzhone, Remedial Project Manager
U.S. Environmental Protection Agency, Region 6
Superfund Division (6SF-RA)
1445 Ross Avenue

Dallas, Texas 75202-2733
Phone: (214) 665.8409
FAX: (214) 665.6660
E-mail: tzhone.stephen@epa.gov

If IPC has any other questions, please contact the EPA Enforcement Officer, Mr. Robert Werner at (214) 665.6724.

Exhibits:

- Exhibit 1 - File on Compact Disc: List of PRPs issued Special Notice
- Exhibit 2 - File on Compact Disc: Evidence of Liability
- Exhibit 3 - File on Compact Disc: Draft Administrative Order on Consent
- Exhibit 4 - File on Compact Disc: Draft RI/FS Statement of Work
- Exhibit 5 – File on Compact Disk: Summary of Response Costs

ENCLOSURE 2

SAN JACINTO RIVER WASTE PITS LOCATION MAP

SAN JACINTO RIVER WASTE PITS SUPERFUND SITE

HARRIS COUNTY, TEXAS

ENCLOSURE 3

LAND OWNERSHIP WITHIN SITE'S PRELIMINARY BOUNDARIES

SAN JACINTO RIVER WASTE PITS SUPERFUND SITE

HARRIS COUNTY, TEXAS